

**THE FORESTRY COMMISSION ENGLAND EXECUTIVE BOARD
MINUTES OF THE 97TH MEETING
Conference Room, National Office, Bristol
8 July 2014**

Attendees:

Ian Gambles
Simon Hodgson
Mark Funnell
John Tewson
Steve Meeks
Richard Greenhous
Sarah England
PK Khaira-Creswell
Dom Driver (Telephone)

Josh Roberts – Minute Secretary

1. Welcome

Ian Gambles opened the meeting. No apologies had been received. Dominic Driver dialled into the meeting.

2. Minutes and Actions

The minutes of the meeting on 23 April were reviewed and agreed. Mark Funnell reported that Board members had fed in suggestions in relation to Non Exec engagement, thanking John Tewson for his contribution. Further suggestions were still welcomed.

In relation to his action to work with Ian Tubby on an approach to the Business Innovation and Skills (BIS) department, Richard Greenhous noted recent contact with BIS and that ongoing work was required. It was reported that BIS was funding the Institute of Chartered Foresters after earlier having turned down their bid and this was welcomed by the Board. Mark Funnell was aiming to open a joint communications line on tree and plant health specific comms with BIS but wanted to know if anything further had been discussed. The Board confirmed there wasn't anything they were aware of.

Richard Greenhous confirmed actions on contingency planning were complete.

Dominic Driver confirmed his action feedback to Rebecca Isted on balancing mechanism paper. He informed the Board that although no action had been taken yet, there had been a positive response from stakeholders and the results were promising.

PK Khaira-Creswell confirmed that she had completed her action to brief Sir Harry on the Cinderford regeneration and that it had been considered at the ENC meeting.

Steve confirmed that circulation of Natural Resources Wales (NRW) lessons learned actions was complete.

The actions to submit nominations for the civil service diversity awards was noted, with two projects put forward, The Big Tree Plant and the Ellerburn trail.

3. Finance report

Steve Meeks updated the Board on the financial position as at the end of June, noting that it was difficult to get the latest finance figures ready for the first week of the month, which was acknowledged. It was reported that the first quarter position is as expected.

Steve reported that the overall £0.7m indicative RDEL pressure related to two issues, the £0.5m impact of the utilisation of provisions (with an equivalent RAME offset) and a £0.2 million pressure relating to the non-capitalisation of GLOS IS costs. The £0.5m capital pressure reflects the current estimate of capital additions in respect of finance leases for vehicles.

Plans have been developed within each primary business area to address the Defra requirement to work within a 98.1% commitments ceiling and a likely 1.9% cut to FCE's RDEL budget. These plans include a reduction in FEE's cash reserves, the time lag in filling vacant posts, the gapping of vacant posts and a reduction in overhead costs such as T&E. However, action will not be taken until Defra formally request it.

In relation to the Annual Report and Accounts, it was reported that the National Audit Office certified these on 2 July and they were laid before Parliament on 7 July.

Steve drew attention to the 2015/16 budget and reported that a useful session with FCE/CS business leads had been held. The situation was still under active discussion with Defra and there were plans to discuss this at the next quarterly meeting in August.

It was confirmed that the full suite of FCE risk registers had been fully reviewed at the Audit Risk and Assurance Committee meeting on 3 June.

Attention was drawn to the artificial split on Administration and Programme costs within RDEL imposed by HMT at the start of SR10. Steve commented that there was little room to manoeuvre or reclassify funds within Defra's control totals but reassured the Board that he was working to improve the position as much as possible. This would be through reclassifying our internal cost centres where allowed and putting in place a Service Level Agreement (SLA) with FEE. This would allow us to manage our position, but only marginally. The Board commented on additional funding and it was noted that all additional funding received is Programme RDEL, such as for Plant Health.

4. Business Strategy Working Group (BSWG)

John Tewson presented paper 14/14 (Business Strategy Working Group update) and noted its use. He informed the Board that the process so far had been useful, that a 'roadmap' detailing initial discussions on priorities and speed of devolution had been agreed, but that the paper would be re-written to incorporate the proposed transition of the BSWG from a short term 'task and finish' work group to a longer term Strategy Group (BSG), and the principle that devolution was the 'default option'. The current short term proposals for devolution that had been brought to the BSWG cover business sustainability, procurement, diversity and HR recruitment, safety and operational environment. There still needs to be a business case developed and approved for each of these to support the devolution of these areas of work. The first draft of the HR business case was included as an example and the Board agreed the approach was right.

There is an overall intention for a stronger role of the Central Services Management Board. No date has yet been agreed for when their new powers will come into effect, but is expected to be next financial year.

It was noted that the group should be renamed to the Business Strategy Group (dropping the working part because the group will become permanent). A revised Terms Of Reference has been produced which outlines the key role of the group: to provide a formal mechanism for countries and Forest Research to articulate how they want to develop their business and how Shared Services can help them get there. The Board noted this as being a strong role for the group and gave it their support.

It was brought to the Board's attention that the HMT principle that any additional costs incurred as a result of a country wishing to pull out of the Shared Services agreement should be met by that country still exists. The Board's view was that they believed this principle is unlikely to be upheld as part of any future devolution to England and Scotland because the resulting cost would be too high for any one party to leave. It was therefore agreed that the key outcome of the group was working collaboratively with FC Scotland, and Cross Border, in developing a road map of change to ensure that the prioritisation and timing of change was mutually acceptable, and that the costs of change were therefore minimised.

The Board commented that this was really positive work to minimise the costs of change and residual costs.

There was a discussion over the pace of change, with Ian Gambles reminding the Board that each business case has to provide a compelling case and action would not be possible unless the new arrangements cost less. Steve Meeks reminded the Board of the need to work within anticipated budget reductions whilst redefining devolved corporate services structures and that a default assumption of 25% savings should be applied. Simon Hodgson considered that devolution was probably not going to be cheaper and the reasons for change were politically driven. He raised the point that the project needed to keep pace, delivering things people value and not just 'protecting back office functions'. He advised that the unpleasant nature of the task could mean that the process was unnecessarily protracted because staff did not want to face upcoming changes. The discussion concluded with the recommendation that pace of change should not be dictated by attitude or processes, but that each business case has to add up financially. If not it can wait (and will have to).

Richard Greenhous noted there was a need to consider the case for re-organising further than just devolution, potentially sharing services with other government departments and the merits of full reorganisation to such end points in one go. This would likely be the best way to make arrangements financially viable and would reduce the need for several reorganisations. Dominic Driver raised the issue of the Civil Service reform agenda and how powerful this has proven to be for other organisations who had previously not reformed radically enough to provide savings, with treasury intervening to rationalise functions at a lower cost to government but which increased costs to some of the individual organisations concerned. This point was noted and agreed.

The ongoing establishment of a single UK government internal audit function and its potential implications for the organisation were also noted.

Sarah England gave a brief summary of points in relation to the HR business case and the issues around the resourcing team and recruitment activities being devolved. The approach needed was not just about England and Scotland, but

included the need for Corporate Services and FR to retain a service too. The process of 'unpacking' services in relation to the business cases was a little more complex than originally anticipated. The high sensitivity of transferring the work was also noted, given the need to continue to maintain good working relationships with colleagues whilst exploring the change options. The need to be more radical than just replicating services within the countries because of the need to reduce costs was also re-highlighted.

The Board noted that continuing uncertainty remained a big risk to the business as this increases staff turnover and loss of expertise and that current and potential future changes were significant sources of uncertainty. This risk was acknowledged to have materialised for some Shared Services and therefore timescales are very important. Simon Hodgson raised the point that operational devolution was seen as very difficult to separate as it was fundamentally important to the business, but that this has now happened and, although tough for some groups, was manageable.

5. NATIONAL OFFICE SLA

PK Khaira-Creswell introduced paper 15/14 which represents the final draft stage of the Service Level Agreement (SLA) with FE. It was noted that drafting of the FS SLA had also just been commissioned. The Board agreed that this was a very good starting point and exactly what was needed.

Ian Gambles reiterated the drivers for the project and highlighted that he had recently been round the four teams which make up National Office (NO) functions to talk with the staff group. He reminded the Board that the driver for change was to support the major changes needed to support the creation of the PFEMO. The Board agreed that beginning to prepare for the processes of change in advance is necessary as this allows the organisation to respond to opportunities that may arise. The SLA is the key first step for transformation as it documents and costs the services currently being provided. It was agreed that the next step is to refine the SLA to improve accuracy and help the directors within each part of the organisation understand the detail of what the services outlined are and how they are provided.

The Board agreed that ultimately the FC needs to move to a position where services can be separated between the two organisations in a way that continues to deliver their required functions and overcomes the problem that some services do not require whole numbers of FTEs.

The Board discussed the potential for some additional resource becoming available due to the reorganisation of Shared Services. It was agreed that the SLA does not currently fit with the work of the Business Strategy Working Group, but that it is necessary to read across to the BSWG work as this is where the opportunities for change will be generated. It was also noted that engagement with Defra in relation to Future Corporate Services would also be key and that the SLA would be the crucial first step to opening these discussions.

The Board recognised that service provision is a dynamic process to reflect the changing needs of the organisation; therefore any written document would eventually become outdated. They agreed however, that documenting the current services provided was required as a first step to beginning their reorganisation. Doing so will help underpin a fair process for staff to compete in the future for positions in any new organisational arrangements. It was highlighted that this process is not about bringing over services as they currently exist into each part of the new organisation, but about setting up the processes the new organisations need. It was noted that all of the current activities would be needed

by the future organisations, but the key was whether they would be done in the same way.

Sarah England highlighted that a Staff Protocol had been produced for Shared Services and that a version of this would be created for National Office.

Action: Simon Hodgson to nominate a Forest Enterprise lead to engage with the SLA and get it signed off.

6. Equality and Diversity

Simon Hodgson introduced Paper 16/14 on Equality and Diversity. He briefly reiterated the background that the policy for diversity assessment changed with the current government. The process used to require a great deal of effort and present a large burden for Forest Enterprise (FE). FE is now adopting a lighter approach which will hopefully prove more pragmatic and Paper 16/14 would provide a way of achieving this.

The Board were reminded of the difficulties experienced a few years ago in supplying evidence of equality assessments to the equality commission. Simon Hodgson reassured the Board that the situation was now much improved, but that there was a need to keep the diversity profile moving forward.

Sarah England informed the Board that the work to diversify the FC workforce hadn't made progress lately, but that this wasn't surprising because of the recruitment freeze. Work was still ongoing however, to try to encourage underrepresented groups to apply for jobs in the FC.

There was a brief discussion on whether any of our volunteers were from Black/Minority/Ethnic (BME) groups. No information was known in terms of the diverse make-up of our volunteers, but it was recognised that this would be an area for growth and engagement.

The discussion finished by acknowledging that the new approach to recording diversity assessments needs to not only be designed to be as accessible as possible for staff but also encourage them to take active steps and to create a better audit trail. It is designed to stimulate more diverse, practical thinking by our staff, and should make a difference in the output of equality analysis. It was noted that staff need further guidance on when equality assessments should be undertaken.

7. Communications

Mark Funnell introduced his paper and associated annexes and highlighted the need for sensitivity with communication through the pre-election period, which the Board agreed had started very early. He noted that this sensitivity may even extend to internal comms. The paper reflects on this situation and recommendations that the FC have to be a communicating organisation. Production of the paper was prompted by two recent incidents of increased government interest in stories concerning Oak Processionary Moth and *Phytophthora*. Mark stated that the organisation has responsibilities for public health and needs to be proactive in our communications in the interest of transparency and accountability.

In relation to the Tree health communication strategy the Board reaffirmed the need for advice to be practical in order to be effective.

The Board were reminded by Ian Gambles of the need to connect in with wider plant health and Defra comms, not just for political reasons but also to make best use of opportunities to get messages across. For example, opening up a communications channel with industry on imported wood products and avoiding new diseases being brought in at the border. This is something which falls high on all agendas and political momentum can be capitalised on. John Tewson mentioned upcoming discussions in Thetford forest with timber importers. Mark highlighted forthcoming discussions with Balfour Beatty on wood packaging material. It was agreed these would be good opportunities for further communication. The Board welcomed the Strategy and endorsed its approach.

It was suggested that the communications report could be used to highlight activities that demonstrate the Forestry Commission's commitment to diversity, which was welcomed.

Action: Mark Funnell to liaise with John Tewson and arrange discussions with industry in Thetford forest on tree diseases from wood packaging.

The Board questioned some of the references to resource mentioned in the paper, and were informed this resource comes from the tree and plant health settlement from Defra. The Board were assured that Mark Funnell was aware of this budget constraint and was working within it. It was noted that if any of the resource needed to come from the Forest Services budget that this needed to be included in business planning.

8. Payments for Ecosystem Services update

Simon Hodgson reassured the Board that good progress was being made with developing the Payments for Ecosystem Services (PES) model. The Board were informed that FE were working with IFOS on the indicators and categories to be used, and that work was being done to further develop methods for connecting funding support to activity on the PFE. This would be necessary to uncover what choices are available in setting PES programmes and allow government to exert priorities in its funding. He informed the board that modelling was also underway on the extent to which directing funding into different areas of the business impacted outcomes.

Simon Hodgson advised the Board that connecting this work to natural capital accounting is still a long way off. The Board acknowledged this but also reiterated the benefits which would be gained if the PFE became a leader in viable PES and the additional interest and experience this could attract.

Richard Greenhous informed the Board of points raised in discussion with FS senior managers on this topic. Getting this right for the organisation and also the wider sector could bring real benefits in the form of funding and support. This meant ensuring that the PES were clearly for additional benefits over and above those that would be delivered without them. The Board agreed that communication would be very important, in particular with Natural England, Defra and internally so that everyone understands what PES is and what this work on making the PFE a leader in PES meant. It was recommended by Mark Funnell that this was approached in a way which was creative and simple, such as animation.

The Board were informed that there was an aim to produce a paper on PES for Autumn.

9. HR Update

Sarah England presented Paper 19/14 on HR updates. The Board had no questions on the paper.

10. Post Filling

Sarah England introduced the issue that the perception of fair post filling and recruitment had been raised as an issue for many years via the staff survey and more recently via the survey carried out on behalf of HR by FR. HR has produced an action plan on how to rebuild trust in the process and sought feedback from the Board on what could be done to improve the perception issues.

Ian Gambles voiced his dissatisfaction that unsuccessful candidates may not get feedback after an interview. He recommended sending an instruction to interview panels that they should provide high quality feedback to all unsuccessful candidates interviewed.

The Board discussed the culture of the organisation and the problems of incidents being widely communicated when they do occur, particularly in area teams. Sarah England raised the issue that the culture that exists in the FC of long term careers means that there is a perception that some staff feel it is unfair if they are not given 'their turn' for a role they may have waited for. There is at least a perceived reliance on past experience and being 'known' rather than performance in the interview and application.

The issue of awarding Temporary Responsibility Allowance (TRA) without the position usually being opened up to the wider staff group, was also discussed. If this position then does become available, the staff perception is that the person who was on TRA almost always gets the job, which is felt to be unfair.

It was agreed that better training on how to give good feedback to successful or unsuccessful applicants was needed and that senior managers need to lead by example and communicate positive incidents. Also that managers should aim to reduce the number of TRA positions without opportunities being opened up.

Action: Richard Greenhous and Simon Hodgson to have discussions with their senior management teams on improving feedback to staff following interview.

It was also agreed that there was a need to communicate that the issue was being addressed with real commitments, not just that it had been considered by the Board.

Action: Mark Funnell to produce a Comms plan with Sarah England focused around a few, hard, culture changing commitments.

11. AOB

PK Khaira-Creswell raised the issue that parliamentary summer recess was coming up so if any members had submissions they intended to submit to please make Executive Office aware of these. The Board were not aware of any submissions.

John Tewson raised the point that there has been a significant increase in positive news for timber products and trade and a time of significant innovation and positive attitudes. Simon Hodgson agreed and confirmed that this was a very

good time for timber materials, although, was unsure as to the degree to which this could be attributed to policy.